



HOULIHAN LOKEY

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John-Paul Hanson Demonstrative

FIELDWOOD ENERGY LLC

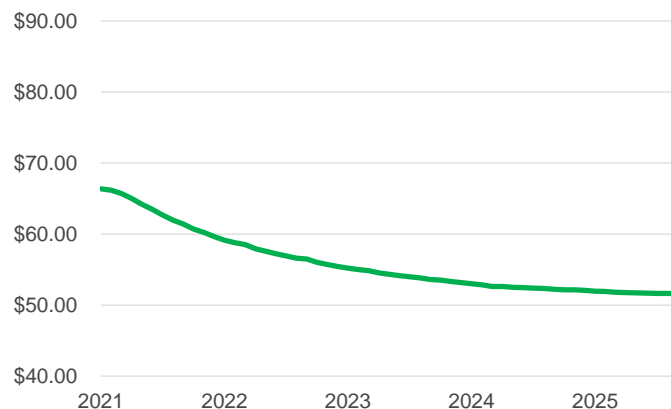
CASE NO. 20-33948 | TEXAS SOUTHERN DISTRICT | JUDGE MARVIN ISGUR

JUNE 2021 | HIGHLY CONFIDENTIAL

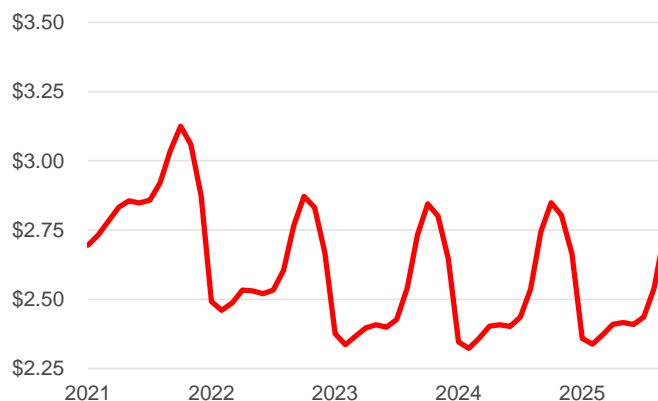
Key Assumptions

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WTI Strip Pricing (\$/bbl) | March 5, 2021



HH Strip Pricing (\$/MMBtu) | March 5, 2021



Adjustments to Company Initial Source Files

NewCo

Based on Mid-Year 2020 Database

- "Rolled forward" effective date to May 1, 2021
- Updated commodity pricing to March 5, 2021
- Adjusted online date of selected wells (Genovesa, Santa Cruz / Santiago, Troika TA3)
- Removed Swordfish / Neptune Spar
- Modest P&A adjustments, including with respect to specified state leases

FWE I

Based on Mid-Year 2020 Database

- "Rolled forward" effective date to May 1, 2021
- Updated commodity pricing to March 5, 2021
- Adjusted P&A timing to better match reserves economic life
- Removed properties that are shut-in and not expected to produce

Summary of Valuation Ranges

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NewCo Valuation Summary | \$mm

	Weight	Range		
		Low	Mid	High
NAV	70%	\$930	\$1,080	\$1,230
Precedent Transactions	15%	640	790	940
Trading Comps	15%	860	990	1,120
Implied Range		\$880	\$1,030	\$1,170

FWE I Valuation Summary | \$mm

	Weight	Range		
		Low	Mid	High
NAV	70%	(\$260)	\$0	\$260
Precedent Transactions	30%	(110)	(70)	(30)
Trading Comps	0%	n/a	n/a	n/a
Implied Range		(\$220)	(\$30)	\$170

FWE III Valuation Summary | \$mm

	Weight	Range		
		Low	Mid	High
Implied Range (NAV)		(\$31)	(\$28)	(\$25)

FWE IV Valuation Summary | \$mm

	Weight	Range		
		Low	Mid	High
Implied Range (NAV)		(\$38)	(\$31)	(\$25)

NewCo Enterprise Value

NAV Approach Detail

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ResCat / Item	Implied Value	
	Low	High
Specified Deepwater Properties Reserve Value	\$1,065	\$1,203
Specified Shelf Properties Reserve Value	161	197
Implied Total Reserve Value Less ARO	\$1,226	\$1,400
Less: Facilities + R&M	(\$85)	(\$69)
Plus: PHA Income	11	12
Implied Total Asset Value	\$1,152	\$1,343
Plus: Farmout Agreement	-	\$40
Less: Expected NewCo Obligations	(75)	(59)
Plus: Fieldwood Mexico ("FWM") Interest	26	43
Plus: Excess Cash ⁽¹⁾	-	-
Less: G&A	(120)	(100)
Less: Insurance	(50)	(40)
Implied NewCo Net Asset Value (Rounded)	\$930	\$1,230

Midpoint = \$1,080mm

(1) Assumes cash on hand is required to address working capital swings and is not incremental to implied NewCo Net Asset Value

FWE I Enterprise Value

NAV Approach Detail

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ResCat / Item	Implied Value	
	Low	High
Implied Total Reserve Value (Net of ARO)	\$45	\$491
Less: Facilities + R&M	(144)	(124)
Implied Total Asset Value	(\$99)	\$368
Less: Insurance	(30)	(25)
Less: G&A	(90)	(80)
Less: Farmout Agreement	(40)	-
Plus: Excess Cash ⁽¹⁾	-	-
Implied FWE I Net Asset Value (Rounded)	(\$260)	\$260

Midpoint = \$0mm

(1) Assumes cash on hand is required to address working capital swings and is not incremental to implied FWE I Net Asset Value

NewCo and FWE I Enterprise Value

Risk-Adjusted Discount Rates used in NAV Approach

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ResCat		Low	High
1P	Producing ⁽¹⁾	10.0%	15.0%
1P	Behind Pipe	15.0%	20.0%
1P	Non-producing ⁽²⁾	15.0%	20.0%
1P	Undeveloped	30.0%	50.0%
Probable	Producing ⁽¹⁾	17.5%	25.0%
Probable	Behind Pipe	25.0%	40.0%
Probable	Non-producing ⁽²⁾	25.0%	40.0%
Probable	Undeveloped	Excluded	Excluded
ARO	n/a	15%	10% multiplied by 1.2x

(1) Troika TA-3 present value determined using RADRs of 12.5-17.5% for proved reserves and 20.0-30.0% for probable reserves to reflect that the well is electively shut-in and currently has no mechanical risk to return-to-production ("RTP")

(2) Galapagos wells present value determined using RADRs of 17.5-25.0% for proved reserves and 30.0-40.0% for probable reserves to reflect the mechanical risk associated with repairing the loop system and RTP'ing certain wells

Residual Distributable Value

Black Scholes Inputs and Implied Valuation

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Input	Description	Inputs		
		Low	Mid	High
Underlying Asset Value	<ul style="list-style-type: none"> Based on NAV <u>gross</u> of P&A and <u>net</u> of G&A and insurance (consistent with operating plan) NAV adjusted to reflect the limited development plan that FWE I is anticipated to pursue 	\$110mm	\$205mm	\$300mm
Strike Price	<ul style="list-style-type: none"> Based on P&A costs discounted at risk-free rate Adjusted for certain types of financial assurance (e.g., surety bonds) 	\$590mm	\$460mm	\$330mm
Volatility	<ul style="list-style-type: none"> Reflects estimated volatility based on WTI and publicly traded peers 	30%	35%	40%
Duration	<ul style="list-style-type: none"> Reflects estimate of weighted-average remaining economic life of producing reserves 	3 Years	5 Years	7 Years
Risk-Free Rate	<ul style="list-style-type: none"> Reflects yield of applicable U.S. Treasury note 	0.32%	0.79%	1.23%
Reserve Accounts	<ul style="list-style-type: none"> Assumed no cash remaining after all claims have been satisfied 	\$0	\$0	\$0
Residual Distributable Value		~\$0.0mm	~\$19.4mm	~\$120.2mm

Memo: Black Scholes formula in mathematical notation shown below

$C = S_t \times N(d_1) - K \times e^{-rt} \times N(d_2)$, where: $d_1 = \frac{\ln(\frac{S_t}{K}) + (r + \frac{\sigma^2}{2})t}{\sigma\sqrt{t}}$ and $d_2 = d_1 - \sigma\sqrt{t}$, where: C = option value; S = underlying value; K = strike price; r = risk-free rate; t = duration; N = normal distribution; σ = variance (square of volatility)

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Valuation Update Considerations



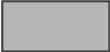



NewCo and FWE I

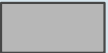

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■ Expert Report





□ Hypothetical Update



NewCo Valuation Comparison | \$mm

Approach	Illustrative NewCo Value	Implied Midpoint
NAV	\$930  \$1,230	\$1,080
	\$820  \$1,080	\$950
Precedent Transactions	\$640  \$940	\$790
	\$780  \$1,100	\$940
Publicly Traded Comparables	\$860  \$1,120	\$990
	\$880  \$1,130	\$1,010

Implied Range	\$880  \$1,170	\$1,030
	\$820  \$1,090	\$960

FWE I Valuation Comparison | \$mm

Approach	Illustrative NewCo Value	Implied Midpoint
NAV	(\$260)  \$260	\$0
	(\$310)  \$180	(\$70)
Precedent Transactions	(\$110)  (\$30)	(\$70)
	(\$110)  (\$40)	(\$80)
Publicly Traded Comparables		n/a

Implied Range	(\$220)  \$170	(\$30)
	(\$250)  \$110	(\$70)

Probable Reserves

Illustration

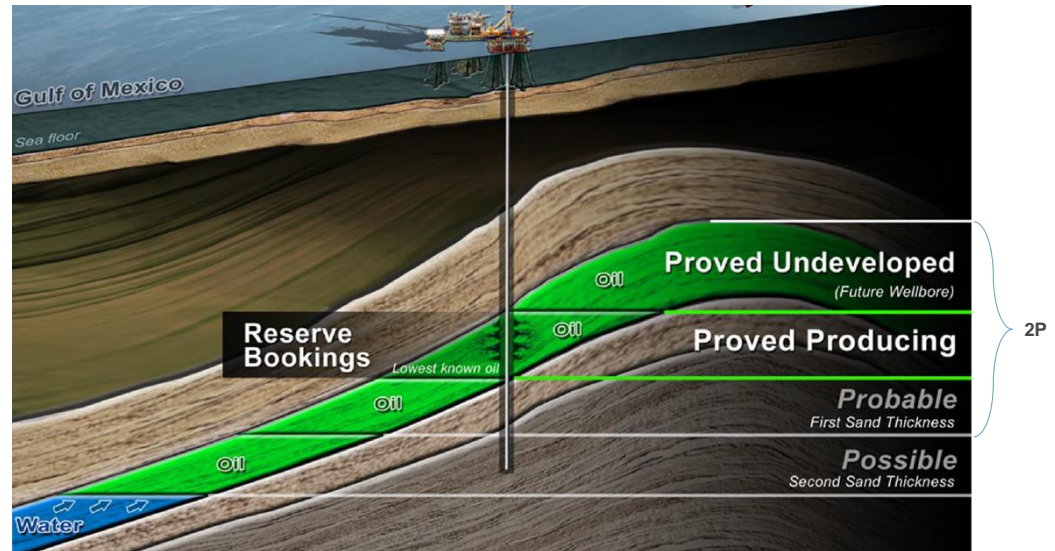
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Key Points

Set forth at right is an illustration of the type of Probable reserves that were included in the Hanson Report

- The included Probable reserves are generally “extension cases” associated with already producing well bores

Reserve Schematic



Source: W&T investor presentation



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CORPORATE FINANCE
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